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DEPARTMENT OF COMMERCE

International Trade Administration

(A-823-815)

Suspension of Antidumping Investigation: Certain Oil Country Tubular Goods from Ukraine

AGENCY: Enforcement and Compliance, International Trade Administration, Department of Commerce

DATES: EFFECTIVE DATE: July 10, 2014.

SUMMARY: The Department of Commerce (“the Department”) has suspended the antidumping duty investigation on certain oil country tubular goods (“OCTG”) from Ukraine. The basis for this action is an agreement between the Department and Interpipe, the OCTG producer/exporter accounting for substantially all imports of OCTG from Ukraine, wherein Interpipe agrees to make any necessary price revisions to eliminate completely any amount by which the normal value (“NV”) of this merchandise exceeds the U.S. price of its merchandise subject to the agreement.

FOR FURTHER INFORMATION CONTACT: Sally Craig Gannon or Judith Wey Rudman at (202) 482-0162 or (202) 482-0192, respectively; Bilateral Agreements Unit, Office of Policy, Enforcement and Compliance, International Trade Administration, U.S. Department of Commerce, 14<sup>th</sup> Street & Constitution Avenue, NW, Washington, DC, 20230.

SUPPLEMENTAL INFORMATION:

**Background**

On July 22, 2013, the Department initiated an antidumping duty investigation under section 732 of the Tariff Act of 1930, as amended (“the Act”) to determine whether imports of

OCTG from Ukraine are being, or are likely to be, sold in the United States at less than fair value (“LTFV”). *See Certain Oil Country Tubular Goods from India, the Republic of Korea, the Republic of the Philippines, Saudi Arabia, Taiwan, Thailand, the Republic of Turkey, Ukraine, and the Socialist Republic of Vietnam: Initiation of Antidumping Duty Investigations*, 78 FR 45505 (July 29, 2013). On August 16, 2013, the United States International Trade Commission (“ITC”) notified the Department of its affirmative preliminary injury determination in this case. *See Certain Oil Country Tubular Goods from India, Korea, The Philippines, Saudi Arabia, Taiwan, Thailand, Turkey, Ukraine, and Vietnam*, Inv. Nos. 701-TA-499-500 and 731-TA-1215-1223 (Preliminary) USITC Pub. No. 4422, 78 FR 52213 (August 22, 2013). On February 14, 2014, the Department preliminarily determined that OCTG is being, or is likely to be, sold in the United States at LTFV, as provided in section 733 of the Act. On this same date, the Department also preliminarily determined that there is not a reasonable basis to believe or suspect that critical circumstances exist with respect to OCTG from Ukraine and postponed the final determination in this investigation until no later than July 10, 2014. *See Certain Oil Country Tubular Goods From Ukraine: Preliminary Determination of Sales at Less Than Fair Value, Negative Preliminary Determination of Critical Circumstances, and Postponement of Final Determination*, 79 FR 10482 (February 25, 2014) (“*Preliminary Determination*”).

The Department and a representative of Interpipe initialed a proposed agreement suspending this investigation on June 10, 2014. On June 10, 2014, we invited interested parties to provide written comments on the proposed suspension agreement by no later than the close of business on June 17, 2014. In response to our request for comments, we received comments from Interpipe and from petitioners in this proceeding (i.e., Maverick Tube Corporation; United

States Steel Corporation; Boomerang Tube LLC; EnergeX, division of JMC Steel Group; Northwest Pipe Company; Tejas Tubular Products, Inc.; TMK IPSCO; Welded Tube USA, Inc.; Wheatland Tube Company; and Vallourec Star L.P. (collectively, “petitioners”)) on June 17, 2014. We have taken these comments into consideration for the final version of the suspension agreement.

The Department and a representative of Interpipe signed the final suspension agreement on July 10, 2014. *See Agreement Suspending the Antidumping Duty Investigation on Certain Oil Country Tubular Goods from Ukraine*, signed on July 10, 2014 (“*Suspension Agreement*”), attached hereto in Annex I. Pursuant to section 734(g) of the Act, the investigation was continued based upon requests by Interpipe and petitioners. If the ITC’s final injury determination is negative, the *Suspension Agreement* will have no force or effect and the investigation will be terminated, pursuant to section 734(f)(3)(A) of the Act.

### **Scope of Investigation**

For a complete description of the scope of the *Suspension Agreement*, see *Suspension Agreement*, at Appendix A.

### **Suspension of Investigation**

The Department consulted with the parties to the proceeding and, in accordance with section 734(b) of the Act, we have determined that the *Suspension Agreement* covers substantially all imports of the subject merchandise and will eliminate completely sales at LTFV of imported subject merchandise. Moreover, in accordance with section 734(d) of the Act, we find that the *Suspension Agreement* is in the public interest, and that the *Suspension Agreement* can be monitored effectively. *See Percentage of Exports Memorandum and Public Interest and*

*Effective Monitoring Assessment Memorandum*, both dated July 10, 2014. We find, therefore, that the criteria for suspension of an investigation pursuant to sections 734(b) and (d) of the Act have been met. The terms and conditions of this *Suspension Agreement*, signed July 10, 2014, are set forth in Annex I to this notice.

Pursuant to section 734(f)(2)(A) of the Act, the suspension of liquidation of all entries of OCTG from Ukraine entered, or withdrawn from warehouse, for consumption, as directed in the *Preliminary Determination*, is hereby terminated. Any cash deposits on entries of OCTG from Ukraine posted pursuant to section 733(d)(1)(B) shall be refunded.

#### **Administrative Protective Order Access**

The Administrative Protective Order (“APO”) the Department granted in the investigation segment of this proceeding remains in place. While the investigation is suspended, parties subject to the APO may retain, but may not use, information received under that APO. All parties wishing access to business proprietary information submitted during the administration of the *Suspension Agreement* must submit new APO applications in accordance with the Department’s regulations currently in effect. *See* section 777(c)(1) of the Act; 19 CFR 351.103. An APO for the administration of the *Suspension Agreement* will be placed on the record within five days of the date of publication of this notice in the *Federal Register*.

We are publishing this notice in accordance with section 734(f)(1)(A) of the Act and 19 CFR 351.208(g)(2).

Dated: July 10, 2014.

Ronald K. Lorentzen  
Acting Assistant Secretary for  
Enforcement and Compliance

Attachment

**ANNEX I**  
**Agreement Suspending the Antidumping Duty Investigation  
on Certain Oil Country Tubular Goods from Ukraine**

Pursuant to section 734(b) of the Tariff Act of 1930, as amended (19 U.S.C. §1673c(b)) (“the Act”), and 19 CFR 351.208 (the “Regulations”), the U.S. Department of Commerce (the “Department”) and the signatory producers/exporters of Certain Oil Country Tubular Goods from Ukraine (“Signatories”) enter into this suspension agreement (“Agreement”). On the basis of this Agreement, on the effective date of this Agreement, the Department shall suspend its antidumping duty investigation initiated on July 22, 2013 (78 FR 45505 (July 29, 2013)) with respect to Certain Oil Country Tubular Goods (“OCTG”) from Ukraine, subject to the terms and provisions set forth below.

(A) Product Coverage

For purposes of this Agreement, the merchandise covered is OCTG, as described in Appendix A.

(B) U.S. Import Coverage

The signatory producers/exporters, collectively, are the producers and exporters in Ukraine that accounted for substantially all (not less than 85 percent) of the subject merchandise imported into the United States, as provided in the Department’s regulations at 19 CFR 351.208(c). The Department may, at anytime during the period of the Agreement, require additional producers/exporters in Ukraine to sign the Agreement in order to ensure that not less than substantially all imports of merchandise described in Appendix A into the United States are covered by the Agreement.

In reviewing the operation of the Agreement for the purpose of determining whether this Agreement has been violated or is no longer in the public interest, the Department will consider imports into the United States from all sources of the merchandise described in Section A of the Agreement. For this purpose, the Department will consider factors including, but not limited to, the following: volume of trade, pattern of trade, whether or not the reseller is an original equipment manufacturer, and the reseller’s export price (“EP”).

(C) Basis of the Agreement

On and after the effective date of the Agreement, each signatory producer/exporter individually agrees to make any necessary price revisions to eliminate completely any amount by which the normal value (“NV”) of this merchandise exceeds the U.S. price of its merchandise subject to the Agreement. For this purpose, the Department will determine the NV in accordance with section 773(e) of the Act and U.S. price in accordance with section 772 of the Act. For details of the Department’s calculation methodology under this Agreement, see Appendix B.

(1) For the period from the effective date of this Agreement through the release of the

first NVs, each signatory producer/exporter agrees not to sell its merchandise subject to this Agreement in the United States.

- (2) For all sales occurring on or after the date of issuance of the first NVs, through December 31, 2014 (“Interim Period”), each signatory producer/exporter issued NVs by the Department agrees not to sell its merchandise subject to this Agreement to any unaffiliated purchaser in the United States at prices that are less than the NVs of the merchandise, as determined by the Department on the basis of the sales and cost information submitted by the signatory producer/exporter in the course of the underlying antidumping duty investigation. The final NVs for a signatory producer/exporter during this Interim Period shall be issued within 15 days after the preliminary NVs are issued pursuant to Section E(2) of this Agreement (*i.e.*, within 30 days after the effective date of the Agreement).<sup>1</sup> See Appendix C for details on a special adjustment for the Interim Period NVs.
- (3) For all sales occurring after the Interim Period, each signatory producer/exporter issued NVs by the Department agrees not to sell its merchandise subject to this Agreement to any unaffiliated purchaser in the United States at prices that are less than the NV of the merchandise, as determined by the Department on the basis of information submitted to the Department not later than the dates specified in Section D of this Agreement. Normally, preliminary NVs for the January through June semi-annual period will be provided to the parties by November 20, and the final NVs will be provided to the parties by December 20. Normally, the preliminary NVs for the July through December semi-annual period will be provided to the parties by May 20, and the final NVs will be provided to the parties by June 20.<sup>2</sup> These NVs shall apply to sales occurring during the semi-annual period (*i.e.*, January through June or July through December, as applicable), beginning on the first day of the month following the date the Department provides the NVs. However, if the Department’s issuance of the final NVs is delayed past the end of semi-annual period (*i.e.*, June 30 or December 31, as applicable) for any reason, the NVs shall be effective immediately upon issuance.

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<sup>1</sup> The issuance of the NVs for any given signatory may be delayed for reasons including: (1) issues related to the underlying antidumping duty investigation, as applicable; (2) to allow sufficient time for signatories to respond to the Department’s request for sales and cost data; and/or (3) to resolve issues raised in comments from interested parties or by the Department. In accordance with section 773(f) of the Act, the Department will examine relevant prices and costs and, for any sales period, may disregard or adjust particular prices or costs when the prices are not in the ordinary course of trade, the costs are not in accordance with the generally-accepted accounting principles, the costs do not reasonably reflect the costs associated with the production and sale of the merchandise, or in other situations provided for in the Act or the Department’s regulations. Examples of possible areas in which adjustments may be necessary include, but are not limited to, costs related to energy, depreciation, transactions among affiliates, barter transactions, as well as items that are not recognized by the home country’s generally accepted accounting principles.

<sup>2</sup> See Footnote #1.

(D) Data Reporting and Monitoring

Each signatory producer/exporter will supply to the Department all information that the Department decides is necessary to ensure that the producer/exporter is in full compliance with the terms of the Agreement. As explained below, the Department will provide each signatory producer/exporter a detailed request for information and prescribe a required format and method of data compilation, not later than the beginning of each reporting period. As noted in Section C(2) of this Agreement, the first NVs issued for the signatory producer/exporter may be based on sales and cost information submitted by the signatory in the underlying antidumping duty investigation, and the resulting NVs issued will apply to sales occurring between the issuance date of the final NVs and December 31, 2014 (i.e., during the Interim Period).

(1) Sales information

The Department will require each producer/exporter to report each sale of the merchandise subject to the Agreement, either directly or indirectly to unaffiliated purchasers in the United States, as well as sales in the comparison market (home or third country market, as appropriate), including each adjustment applicable to each sale, as specified by the Department.

The first report of sales data, pursuant to Section C(3) of this Agreement, shall be submitted to the Department, in the prescribed format and using the prescribed method of data compilation, not later than August 15, 2014, and shall contain the specified sales information covering the period January 1, 2014, through June 30, 2014. Subsequent reports of sales data shall be submitted to the Department not later than July 31 and January 31 of each year. Each July 31 report shall contain the specified information for the semi-annual period ending on June 30 of that year; each January 31 report shall contain the specified information for the semi-annual period ending on December 31 of the prior year, except that if the Department receives information that a possible violation of the Agreement may have occurred, the Department may request sales data on a more frequent basis. All reports must be submitted to the Department in accordance with the requirements of the Department's electronic filing system, IA ACCESS.

(2) Cost information

Signatory producers/exporters must request NVs for all subject merchandise that will be sold in the United States. For those products which the producer/exporter is requesting NVs, the Department will require each producer/exporter to report, in the prescribed format and using the prescribed method of data compilation, the following: its actual cost of manufacturing; selling, general and administrative ("SG&A") expenses; packing costs; and profit data on a semi-annual basis. As indicated in Appendix B to this Agreement, profit will be reported by the producers/exporters on a semi-annual basis. Each such producer/exporter also must report anticipated increases in production costs in



the semi-annual period in which the information is submitted resulting from factors such as anticipated changes in production yield, changes in production process, changes in production quantities, or changes in production facilities.

The first report of cost data, pursuant to Section C(3) of this Agreement, shall be submitted to the Department not later than September 2, 2014, and shall contain the specified cost data covering the period January 1, 2014, through June 30, 2014. Each subsequent report shall be submitted to the Department not later than August 15 and February 15 of each year. Each August 15 report shall contain the specified information for the semi-annual period ending on June 30 of that year; each February 15 report shall contain the specified information for the semi-annual period ending on December 31 of the prior year. All reports must be submitted to the Department in accordance with the requirements of the Department's electronic filing system, IA ACCESS.

(3) Special Adjustment of Normal Value

If the Department determines that the NV it determined for a previous semi-annual period was erroneous because the reported costs for that period were inaccurate or incomplete, or for any other reason, the Department may adjust NV in a subsequent period or periods, unless the Department determines that Section F of the Agreement applies.

(4) Verification

Each producer/exporter agrees to permit full verification of all cost and sales information semi-annually, or more frequently, as the Department deems necessary.

(5) Bundling or Other Arrangements

Producers/exporters agree not to circumvent the Agreement. In accordance with the dates set forth in Section D(1) of this Agreement, producers/exporters will submit a written statement to the Department certifying that the sales reported herein were not, or are not part of or related to, any bundling arrangement, on-site processing arrangement, discounts/free goods/financing package, swap or other exchange where such arrangement is designed to circumvent the basis of the Agreement.

Where there is reason to believe that such an arrangement does circumvent the basis of the Agreement, the Department will request producers/exporters to provide within 15 days all particulars regarding any such arrangement, including, but not limited to, sales information pertaining to covered and non-covered merchandise that is manufactured or sold by producers/exporters. The Department will accept written comments, not to exceed 30 pages, from all parties no later than 15 days after the date of receipt of such producer/exporter information.

If the Department, after reviewing all submissions, determines that such an arrangement circumvents the basis of the Agreement, it may, as it deems most appropriate, utilize one of two options: (1) the amount of the effective price discount resulting from such arrangement shall be reflected in the NV in accordance with Section D(3) of this Agreement, or (2) the Department shall determine that the Agreement has been violated and take action according to the provisions under Section F of this Agreement.

(6) Rejection of Submissions

The Department may reject any information submitted after the deadlines set forth in this section or any information which it is unable to verify to its satisfaction. If information is not submitted in a complete and timely fashion, or is not fully verifiable, the Department may calculate the NV, and/or U.S. price, based on facts otherwise available, as it determines appropriate, unless the Department determines that Section F of this Agreement applies.

(E) Disclosure and Comment

- (1) The Department may make available to representatives of each interested party to the proceeding, under appropriately drawn administrative protective orders, business proprietary information submitted to the Department during the reporting period as well as the results of its analysis under section 777 of the Act.
- (2) For sales during the Interim Period, the Department will disclose to each producer/exporter being issued NVs the preliminary results and methodology of the Department's calculations of the NVs within 15 days after the effective date of this Agreement, subject to the possible constraints noted in footnote #1 of Section C(2) of this Agreement. At that time, the Department may also make available such information to the interested parties to the proceeding in accordance with this section.
- (3) Normally, by November 20 and May 20 of each ensuing semi-annual sales period, the Department will disclose to each producer/exporter being issued NVs the preliminary results and methodology of the Department's calculations of the NVs. At that time, the Department may also make available such information to the interested parties to the proceeding, in accordance with this section.
- (4) Not later than five days after the dates of disclosure under Sections E(2) and E(3), respectively, of this Agreement, the parties to the proceeding may submit written comments to the Department, not to exceed 15 pages. Not later than three days after written comments are due, the parties to the proceeding may submit written rebuttal comments to the Department, not to exceed 15 pages. After reviewing these submissions, the Department will provide to each producer/exporter its final

NVs, as provided in Sections C(2) and C(3), respectively, of this Agreement. In addition, the Department may provide such information to interested parties, as specified in this section.

(F) Violations of the Agreement

If the Department determines that the Agreement is being or has been violated or no longer meets the requirements of sections 734(b) or (d) of the Act, the Department shall take action it determines appropriate under section 734(i) of the Act and the Regulations.

(G) Other provisions

In entering into the Agreement, the signatory producers/exporters do not admit that any sales of merchandise subject to the Agreement have been made at less than fair value.

(H) Termination or Withdrawal

This Agreement shall terminate three years after the effective date of this Agreement, on July 10, 2017. At that time, in the event the antidumping duty investigation with respect to OCTG from Ukraine is continued pursuant to section 734(g) of the Act and results in affirmative determinations, as referenced in sections 735(a)(1) and (b)(1) of the Act, by the Department and the International Trade Commission respectively, the Department shall issue an antidumping duty order and order the suspension of liquidation on entries of OCTG from Ukraine in accordance with section 735(c) of the Act. Alternatively, at that time, in the event there was no such continuation, the Department shall resume the investigation.

Before such termination described above, the Department or any of the Signatories may withdraw from the Agreement at any time upon notice, respectively, to the Signatories or the Department. Withdrawal shall be effective 60 days after such notice is given to the Department.

Upon withdrawal, the Department shall follow the procedures outlined in section 734(i)(1) of the Act.

(I) Definitions

For purposes of the Agreement, the following definitions apply:

- (1) “U.S. price” means the export price or constructed export price at which merchandise is sold by the producer or exporter to the first unaffiliated purchaser in the United States, including the amount of any discounts, rebates, price protection or ship and debit adjustments, and other adjustments affecting the net amount paid or to be paid by the unaffiliated purchaser, as determined by the Department under section 772 of the Act.

- (2) “Normal value” means the constructed value (“CV”) of the merchandise, as determined by the Department under section 773 of the Act and the corresponding sections of the Department’s regulations, and as adjusted in accordance with Appendix B to this Agreement.
- (3) “Producer/Exporter” means (1) the foreign manufacturer or producer, (2) the foreign producer or reseller which also exports, and (3) the affiliated person by whom or for whose account the merchandise is imported into the United States, as defined in section 771(28) of the Act.
- (3) “Date of sale” means the date of the invoice as recorded in the exporter’s or producer’s records kept in the ordinary course of business, unless the Department determines that a different date better reflects the date on which the exporter or producer establishes the material terms of sale, as determined by the Department under its regulations.

The effective date of this Agreement is July 10, 2014.

For Ukraine Producers/Exporters:

\_\_\_\_\_

Date: \_\_\_\_\_

Mark S. McConnell  
Counsel for Interpipe<sup>3</sup>

For U.S. Department of Commerce:

\_\_\_\_\_

Date: \_\_\_\_\_

Ronald K. Lorentzen,  
Acting Assistant Secretary for,  
Enforcement and Compliance.

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<sup>3</sup> Interpipe Europe S.A.; Interpipe Ukraine LLC; PJSC Interpipe Nizhnedneprovsky Tube Rolling Plant (aka Interpipe NTRP); LLC Interpipe Niko Tube; North American Interpipe, Inc. (collectively, Interpipe).

## **APPENDIX A: PRODUCT COVERAGE**

### **AGREEMENT SUSPENDING THE ANTIDUMPING INVESTIGATION ON CERTAIN OIL COUNTRY TUBULAR GOODS FROM UKRAINE**

The merchandise subject to this Agreement is certain OCTG from Ukraine, which are hollow steel products of circular cross-section, including oil well casing and tubing, of iron (other than cast iron) or steel (both carbon and alloy), whether seamless or welded, regardless of end finish (e.g., whether or not plain end, threaded, or threaded and coupled) whether or not conforming to American Petroleum Institute (“API”) or non-API specifications, whether finished (including limited service OCTG products) or unfinished (including green tubes and limited service OCTG products), whether or not thread protectors are attached. The scope of the investigations also covers OCTG coupling stock.

Excluded from the scope of this Agreement are: casing or tubing containing 10.5 percent or more by weight of chromium; drill pipe; unattached couplings; and unattached thread protectors.

The merchandise subject to this Agreement is currently classified in the Harmonized Tariff Schedule of the United States (“HTSUS”) under item numbers: 7304.29.10.10, 7304.29.10.20, 7304.29.10.30, 7304.29.10.40, 7304.29.10.50, 7304.29.10.60, 7304.29.10.80, 7304.29.20.10, 7304.29.20.20, 7304.29.20.30, 7304.29.20.40, 7304.29.20.50, 7304.29.20.60, 7304.29.20.80, 7304.29.31.10, 7304.29.31.20, 7304.29.31.30, 7304.29.31.40, 7304.29.31.50, 7304.29.31.60, 7304.29.31.80, 7304.29.41.10, 7304.29.41.20, 7304.29.41.30, 7304.29.41.40, 7304.29.41.50, 7304.29.41.60, 7304.29.41.80, 7304.29.50.15, 7304.29.50.30, 7304.29.50.45, 7304.29.50.60, 7304.29.50.75, 7304.29.61.15, 7304.29.61.30, 7304.29.61.45, 7304.29.61.60, 7304.29.61.75, 7305.20.20.00, 7305.20.40.00, 7305.20.60.00, 7305.20.80.00, 7306.29.10.30, 7306.29.10.90, 7306.29.20.00, 7306.29.31.00, 7306.29.41.00, 7306.29.60.10, 7306.29.60.50, 7306.29.81.10, and 7306.29.81.50.

The merchandise subject to this Agreement may also enter under the following HTSUS item numbers: 7304.39.00.24, 7304.39.00.28, 7304.39.00.32, 7304.39.00.36, 7304.39.00.40, 7304.39.00.44, 7304.39.00.48, 7304.39.00.52, 7304.39.00.56, 7304.39.00.62, 7304.39.00.68, 7304.39.00.72, 7304.39.00.76, 7304.39.00.80, 7304.59.60.00, 7304.59.80.15, 7304.59.80.20, 7304.59.80.25, 7304.59.80.30, 7304.59.80.35, 7304.59.80.40, 7304.59.80.45, 7304.59.80.50, 7304.59.80.55, 7304.59.80.60, 7304.59.80.65, 7304.59.80.70, 7304.59.80.80, 7305.31.40.00, 7305.31.60.90, 7306.30.50.55, 7306.30.50.90, 7306.50.50.50, and 7306.50.50.70.

The HTSUS subheadings above are provided for convenience and customs purposes only. The written description of the scope of the product coverage is dispositive.

## APPENDIX B: PRINCIPLES OF COST

### General Framework

The cost information reported to the Department that will form the basis of the normal value (“NV”) calculations for purposes of the Agreement must be:<sup>4</sup>

- Comprehensive in nature and based on a reliable accounting system (i.e., a system based on well-established standards that can be tied to the audited financial statements);
- Calculated on a semi-annual weighted-average basis of the plants or cost centers manufacturing the product;
- Based on fully-absorbed costs of production, including any downtime;
- Valued in accordance with generally-accepted accounting principles; and
- Reflective of appropriately allocated common costs so that the costs necessary for the manufacturing of the product are not absorbed by other products.

Additionally, a separate figure should be reported for each major cost component making up the cost of production.

### Cost of Manufacturing

Costs of manufacturing (“COM”) are reported by major cost category and for major stages of production. Weighted-average costs are used for a product that is produced at more than one facility, based on the product’s cost at each facility and relative production quantities.

Direct materials costs include the acquisition costs of all materials that are identified as part of the finished product and may be traced to the finished product in an economically feasible way. In contrast to indirect materials, direct materials are applied and assigned directly to a finished product. Direct materials costs should include transportation charges, import duties, and other expenses normally associated with obtaining the materials that become an integral part of the finished product.

Direct labor costs are the labor costs identified with a specific product. These costs are not allocated among products except when two or more products are produced at the same cost center. Direct labor costs should include salary, bonus and overtime pay, training expenses, and all fringe benefits. Any contracted-labor expense should reflect the actual billed cost.

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<sup>4</sup> See Footnote #1 in Section C(2) of this Agreement.

Variable manufacturing overhead costs include those production costs, other than direct materials or direct labor, that generally vary in total with changes in the volume of merchandise produced at a given level of operations. Variable manufacturing overhead costs may include indirect materials (e.g., supplies used in the manufacturing process), indirect labor (e.g., supervisory labor paid on an hourly basis), utilities (e.g., energy), and other variable overhead costs. Because variable overhead costs are typically incurred for an entire production line or factory, the costs must be allocated to the products produced using a reasonable basis.

Fixed manufacturing overhead costs include those production costs that generally do not vary in total with changes in the volume of merchandise produced at a given level of operations. Fixed manufacturing overhead costs may include the costs incurred for building or equipment rental, depreciation, supervisory labor paid on a salary basis, plant property taxes, and factory administrative costs. In addition, fixed manufacturing overhead costs include research and development (“R&D”) costs which relate specifically to the subject merchandise.

### Cost of Production

Cost of production (“COP”) is equal to the cost of materials and fabrication or other processing of any kind employed in producing the merchandise plus an amount for selling, general and administrative expenses (“SG&A”), and the cost of all containers and coverings, in the home market (“HM”).<sup>5</sup>

SG&A expenses are those expenses incurred for the operation of the corporation as a whole and not directly related to the manufacture of a particular product. They include corporate general and administrative expenses, financing expenses, and general research and development expenses. Additionally, direct and indirect selling expenses incurred in the HM for sales of the product under investigation are included. Such expenses are allocated to COM using a ratio of SG&A costs.

### Constructed Value

Constructed value (“CV”) is equal to the cost of materials and fabrication or other processing of any kind employed in producing the merchandise plus an amount for SG&A, the cost of all containers and coverings for exportation to the United States, plus an amount for profit.

### Calculation of Suspension Agreement Normal Values

NVs (for purposes of the Agreement) are calculated by adjusting the CV and are provided for both EP and CEP transactions. In effect, expenses uniquely associated with the covered products sold in the HM are subtracted from the CV, and such expenses uniquely associated with

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<sup>5</sup> If for some reason the home market is not viable, for part or all of the applicable costs and expenses references to home market costs and/or expenses in this Appendix B are understood to refer to third-country market costs and/or expenses.

the covered products sold in the United States are added to the CV to calculate the NV.

“Export Price” – Generally, a U.S. sale is classified as an export price sale when the first sale to an unaffiliated person occurs before the goods are imported into the United States. In cases where the foreign manufacturer knows or has reason to believe that the merchandise is ultimately destined for the United States, the manufacturer’s sale is the sale subject to review. If, on the other hand, the manufacturer sold the merchandise to a foreign trader without knowledge of the trader’s intention to export the merchandise to the United States, then the trader’s first sale to an unaffiliated person is the sale subject to review. For EP NVs, the CV is adjusted for movement costs and differences in direct selling expenses such as commissions, credit, warranties, technical services, advertising, and sales promotion.

“Constructed Export Price” – Generally, a U.S. sale is classified as a constructed export price sale when the first sale to an unaffiliated person occurs after importation. However, if the first sale to an unaffiliated person is made by a person in the United States affiliated with the foreign exporter, constructed export price applies even if the sale occurs prior to importation, unless the U.S. affiliate performs only clerical functions in connection with the sale. For CEP NVs, the CV is adjusted similar to EP sales, with differences for adjustment to U.S. and HM indirect selling expenses.

HM direct selling expenses are expenses that are incurred as a direct result of a sale. These include such expenses as commissions, advertising, discounts and rebates, credit, warranty expenses, freight costs, etc. Certain direct selling expenses are treated individually, including:

- Commission expenses, i.e., payments to unaffiliated parties for sales in the HM.
- Credit expenses, i.e., expenses incurred for the extension of credit to HM customers.
- Movement expenses, e.g., foreign inland freight and insurance expenses, warehousing, and foreign brokerage, handling and port charges.

U.S. direct selling expenses are the same as HM direct selling expenses except that they are incurred for sales in the United States. Movement expenses are additional expenses associated with importation into the United States, which typically include: U.S. inland freight and insurance expenses; U.S. brokerage, handling and port charges; U.S. Customs duties, U.S. warehousing; and international freight and insurance.

U.S. indirect selling expenses include general fixed expenses incurred by the U.S. sales subsidiary or affiliated exporter for sales to the United States and may also include a portion of indirect expenses incurred in the HM for export sales.



The EP and CEP NVs are calculated as follows:

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For EP Transactions	
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+	Direct Materials
+	Direct Labor
+	Factory Overhead
=	Cost of Manufacturing (COM)
+	Home Market SG&A
=	Cost of Production (COP)
+	U.S. Packing
+	Profit
=	Constructed Value
+	U.S. Direct Selling Expense
+	U.S. Commission Expense
+	U.S. Movement Expense
+	U.S. Credit Expense
-	HM Direct Selling Expense
-	HM Commission Expense [1]
-	HM Credit Expense
=	NV for EP Sales

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[1] If the company does not have HM commissions, HM indirect expenses are subtracted only up to the amount of the U.S. commissions.

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For CEP Transactions

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+	Direct Materials
+	Direct Labor
+	Factory Overhead
=	Cost of Manufacturing (COM)
+	Home Market SG&A
=	Cost of Production (COP)
+	U.S. Packing
+	Profit
=	Constructed Value
+	U.S. Direct Selling Expense
+	U.S. Indirect Selling Expense
+	U.S. Commission Expense
+	U.S. Movement Expense
+	U.S. Credit Expense
+	U.S. Further-Manufacturing Expenses (if any)
+	CEP Profit
-	HM Direct Selling Expense
-	HM Commission Expense [1]
-	HM Credit Expense
=	NV for CEP Sales

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[1] If the company does not have HM commissions, HM indirect expenses are subtracted only up to the amount of the U.S. commissions.

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## APPENDIX C: SPECIAL ADJUSTMENT FOR INTERIM PERIOD NORMAL VALUES

Unique events occurred in Ukraine in the first half of 2014, including the National Bank of Ukraine abandoning its *de facto* exchange rate peg and switching to a flexible exchange rate regime in February 2014. Due to this fundamental shift in the exchange rate regime, as well as to other unique circumstances occurring throughout the period, the Department and the signatory producer/exporter, Interpipe, agree that, for purposes of the calculation and issuance of Interpipe's NVs for the Interim Period (see Section C(2) of the Agreement), a special adjustment is appropriate to address the disconnect between the costs that were reported before the events described above and the current exchange rate.

In order to calculate the Interim Period NVs from the period of investigation ("POI") costs and expenses reported in the underlying investigation, the Department intends to adjust Interpipe's Ukrainian Hryvnia ("UAH")-denominated costs and selling expenses to make them as contemporaneous as possible with the exchange rate that will be used to convert the UAH-denominated NVs to U.S. dollar-denominated NVs upon issuance. The Department will apply to the POI costs and expenses an adjustment factor that accounts for the movement in the Producer Price Index ("PPI") between the average for the POI and the latest month for which there is data reported in the International Monetary Fund's International Financial Statistics. If a time gap exists between the latest month of PPI data available and the exchange rate to be used to convert the UAH-denominated NVs to U.S. dollar-denominated NVs, however, the Department may consider whether further adjustments are appropriate for this Interim Period.

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